V. Environmental and Regulatory Issues

TRADEBE’s business operations are affected both directly and indirectly by governmental regulations. This includes various federal, state and local environmental, along with health and safety requirements that are administered and enforced by regulatory agencies. Many of these programs apply to or may in the future be applicable to one or more of TRADEBE's operations. Although TRADEBE intends to make capital expenditures to expand their waste processing capabilities, TRADEBE is not presently required to make material capital expenditures to remain in compliance with federal, state and local laws and regulations relating to the protection of the environment.

A. Federal Regulation

The primary U.S. federal statutes affecting TRADEBE’s business are summarized below:

1. Resource Conservation and Recovery Act (RCRA)

RCRA is the principal federal statute governing hazardous waste and solid waste generation, treatment, storage and disposal on active sites. The EPA and state hazardous waste management agencies administer these regulations. The EPA has issued regulations pursuant to RCRA and states have promulgated regulations, under comparable state statutes, that govern hazardous waste generators, transporters, owners and operators of hazardous waste treatment, storage or disposal facilities. Permitted and interim status treatment, storage and disposal facilities are regulated under 40 CFR Parts 264 and 265, respectively. The regulatory requirements include three categories of regulations consisting of administrative requirements, general standards and specific standards. These regulations impose detailed operating, inspection, training, emergency preparedness and response standards, as well as requirements for closure, financial responsibility, manifesting wastes, record-keeping and tracking. These regulations also encompass treatment standards for hazardous wastes intended for land disposal. The facility in East Chicago was first granted its Part B permit under RCRA in 1991; the permit was renewed in August 2006 and is effective for 5 years. The Millington facility's permit was renewed in October 2000 and is effective for 10 years. Both East Chicago, IN and the Millington, TN facilities are operating under submitted Renewal Permit Applications which are under review to each respective state. Each Renewal notice is available on the website under the Compliance Tab. The Meriden facility’s permit was renewed in Sept. 2006 and is effective for 5 years, and will be renewed again in Sept. 2012. The Bridgeport facility’s permit was renewed in Sept. 2011 and is effective for 5 years. The Stoughton facility's permit was renewed in Sept. 2007 and is effective for 5 years, and will be renewed again in 2013. The Northborough facility’s permit was renewed in 2000 and is effective for 5 years, and will be renewed again in 2012.Industry’s implementation of effective waste minimization programs has reduced the volume of hazardous materials and increased the generation of non-hazardous materials. TRADEBE studied and recognized the need to sustain the increasing market demand for the management of these non-hazardous RCRA exempt materials and the need to provide a full service waste management program to TRADEBE’s customer base. Therefore, we have developed waste capabilities for the treatment, recycling and disposal of non-hazardous waste.

RCRA also affects our operations by prohibiting the disposal of certain liquid wastes in landfills. This prohibition has increased the demand for the services that TRADEBE provides.

As part of the U.S. Environmental Protection Agency’s commitment to reinvent environmental regulations, the Agency issued the “Universal Waste Rule”. The rule is designed to reduce the amount of hazardous waste items disposed of in municipal solid waste streams, encourage recycling and proper disposal, while lessening the regulatory burden on businesses that generate universal waste. To
serve this market, the company has made notification to the agency as a “Large Quantity Handler of Universal Waste”.

2. The Clean Water Act (CWA)

The Clean Water Act regulates the discharge of pollutants into surface waters of the United States. The Clean Water Act establishes a system of standards, permits and enforcement procedures for the discharge of pollutants from industrial and municipal wastewater sources. The law sets treatment standards for industries and wastewater treatment plants. It also provides federal grants to assist municipalities in complying with new standards. In addition to requiring permits for industrial and municipal discharges directly into the waters of the United States, the Clean Water Act also requires pretreatment of industrial wastewater before discharge into municipal systems. The Clean Water Act gives the EPA the authority to set pretreatment limits for direct and indirect industrial discharges. The Clean Water Act prohibits certain discharges of oil or hazardous substances and authorizes the federal government to remove or arrange for removal of such oil or hazardous substances. The Clean Water Act requires the adoption of the National Contingency Plan to cover removal of such materials. Under the Clean Water Act the owner or operator of a vessel or facility may be liable for penalties or costs incurred by the federal government in responding to discharge of oil or hazardous substances. TRADEBE’s Meriden & Bridgeport CT plants and Stoughton MA plant all hold wastewater pretreatment permits that allow them to accept, treat, and discharge both hazardous and non-hazardous wastes through the sewerage system to the local or regional Publically-Owned Treatment Works (POTW). At present, TRADEBE’s Indiana facility does not operate under National Pollutant Discharge Elimination System (NPDES) storm water permit. The Tennessee facility made applications and has been issued a multi-sector NPDES permit for storm water discharge. All TRADEBE’s CT locations (both RCRA plants and other locations) hold a Connecticut State General Permit for the Discharge of Stormwater Associated with Industrial Activity. The Stoughton MA, Northborough MA, and Newington NH TRADEBE locations hold an EPA Multi-Sector General Permit for Stormwater Discharges Associated with Industrial Activity (MSGP).

3. Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)

CERCLA, also known as "Superfund", amended in 1986, provides for immediate response and removal actions coordinated by the EPA, for releases of hazardous substances from inactive or abandoned sites into the environment and authorizes the government or private parties to respond to the release or threatened release of hazardous substances. The government also may order persons responsible for the release of hazardous substances to perform any necessary cleanup. Liability extends to the present owners and operators of waste disposal facilities from which a release occurs, to persons who owned or operated such facilities at the time the hazardous substances were released, to persons who arranged for disposal or treatment of hazardous substances and to waste transporters who selected such facilities for treatment or disposal of hazardous substances. CERCLA has been created to provide strict and liability for the cost of removal and remediation, other necessary response costs and damages for injury to natural resources. Other than an administrative consent order and agreement entered into by TRADEBE with respect to a disposal site which TRADEBE delivered a small amount of waste, prior to 1990, TRADEBE is not aware of any claims against it that are based on CERCLA. TRADEBE’s Indiana and Tennessee facilities are fully permitted to accept CERCLA-generated waste

4. Clean Air Act (CAA)

The Clean Air Act provides for federal, state and local regulations of emissions of air pollutants into the atmosphere. Any construction or modification of a facility involving regulated air emissions must be permitted for authorization by the regulatory agency administering the Clean Air Act for the location of the facility. The Clean Air Act provides for administration and judicial enforcement against owners and operators of regulated facilities, including substantial penalties. In 1990, the Clean Air Act was re-authorized and amended, substantially increasing the scope and stringency of the regulations. The Clean Air Act Amendments of 1990 (CAAs) requires one comprehensive operating permit to be issued for an entire source. All Part 70 sources (also referred to as “Title V” sources) were required to have
submitted their Part 70 applications to the State of Indiana on or before December 1996. The Indiana facility’s Title V was issued April 2007. Capital expenditure and implementation of pollution control devices began at the early stages of our operations. Furthermore, Section 112 (r) of the amended Clean Air Act (CAA), signed into law on November 15, 1990, mandates a new federal focus on the prevention of chemical accidents. On June 20, 1996, the EPA published the final rule for CAA112 (r), the Risk Management Plan Rule (RMP Rule). An estimated 64,000 facilities are subject to the RMP Rule, based on the quantity of the regulated substances under this rule that they have on site. The risk management planning builds on the Occupational Safety and Health Administration’s (OSHA) Process Safety Management Standards (PSM). TRADEBE does not anticipate exceeding the regulatory threshold of the chemicals identified under RMP. Compliance with the Clean Air Act is not expected to have a material adverse effect on our business, operating requirements or financial condition.

The Tennessee facility has received all required air permits from the Memphis/Shelby County Department of Health, the administering agency for the CAA, in the Memphis area. Since this facility is classified as a Synthetic Minor under the CAA due to the limited amount of Hazardous Air Pollutants (HAPs) emitted annually, no further action is required at this time.

5. Emergency Planning and Community Right-to-Know Act.

On May 1, 1997, the U.S. EPA promulgated a final rule adding several new industrial sectors to the list of companies subject to the Emergency Planning and Community Right-to-Know Act (EPCRA) Section 313 reporting requirements. Industries affected by this rule are subject to the annual reporting requirements beginning with activities conducted during 1998. Selected chemical management activities of RCRA Subtitle C treatment, storage and disposal facilities are included in EPCRA Section 313 reporting. TRADEBE locations file the necessary reports as required by the regulation.

B. State and Local Regulations

TRADEBE’s waste processing facilities are subject to direct regulation by a variety of state and local authorities. Typically, TRADEBE is required to obtain permits from state authorities to operate our facilities and to comply with all applicable regulations. The states in which TRADEBE operates have their own laws and regulations that may be more stringent than comparable federal laws and regulations governing hazardous and non-hazardous waste disposal, water and air pollution, releases and cleanup of hazardous substances and liabilities of such matters. TRADEBE’s facilities and operations are likely to be subject to many, if not all, of these laws and regulations. TRADEBE’s relationships with all state and local regulatory agencies are in good standing.

C. Other Regulations and Company Compliance

There are a number of federal environmental regulatory programs in addition to those described above. Most states and many local authorities also have enacted laws regulating activities affecting the environment. The Federal Occupational Safety has promulgated health and safety standards for workers and Health Administration (OSHA), including regulations related to the handling of hazardous materials and wastes. TRADEBE, its customers and suppliers must comply with OSHA standards to prevent exposures to hazardous chemicals that could be harmful to human health.
1. Inspections

Under RCRA, the Indiana facility is subject to unannounced inspections every quarter by the Indiana Department of Environmental Management (IDEM) and/or the EPA. The facility in Tennessee has unannounced inspections that are conducted semi-annually by the Tennessee Department of Environment and Conservation (TDEC) and/or the EPA. Semi-annual inspections must be conducted for TRADEBE’s federal approval to receive CERCLA material. In the northeast, the RCRA facilities are subject to annual state inspections based on their Part B permits. The three facilities that hold wastewater pretreatment permits are also subject to annual state inspections.

2. Multi Media Review

TRADEBE’s Indiana facility received a Multi-Media inspection in November 1998. The intent of a multi-media compliance investigation is to determine a facility’s status of compliance with applicable laws, regulations and permits. Emphasis is given to identifying violations of regulations, permits, approvals, orders and the underlying cause of such violations. The purpose of the inspection was to examine the company’s operations and data pertaining to Resource Conservation and Recovery Act (RCRA), Clean Air Act (CAA), Spill Prevention Control and Countermeasure (SPCC) regulations under the Clean Water Act (CWA), Toxic Substance Control Act (TSCA), regulations for polychlorinated biphenyl (PCB) management, Solid Waste and Underground Storage Tank (UST) regulations. In 2006 Tradebe Treatment and Recycling, LLC, Inc. reached an agreement with USEPA.

On June 30, 2006 the Consent Agreement and Final Order (CAFO) was signed with USEPA. USEPA alleges in the CAFO, Tradebe Treatment and Recycling, LLC violated the Indiana State Implementation Plan (SIP) governing the construction permit, New Source Review and volatile organic compounds emissions for equipment that has been out of service for over 2 years.

Accordingly, we made a business decision to settle out of court. We agreed to a $25,000 fine and implement Supplemental Environmental Projects (SEP) totaling approximately $120,000. These projects are being undertaken by TRADEBE in connection with the settlement with USEPA for alleged violations of the Clean Air Act. These projects will improve our new processes, advance our technologies and help the environment at the same time.

TRADEBE is extremely pleased that all parties have finally come to an agreement after approximately eight (8) years.

D. Part B Permits. The requirements of Part B Permits for all facilities are outlined below:

1. East Chicago, Indiana

The East Chicago RCRA Part B Permit allows the storage of up to 11,000 fifty-five gallon drum equivalents and up to 178,813 gallons of bulk hazardous waste. TRADEBE has obtained approval for a wide variety of RCRA waste codes. In addition, the site is approved for the receipt of CERCLA generated material. TRADEBE is not permitted to accept PCBs, radioactive, explosive or bio-hazardous waste material.

The permit consists of eleven permitted acres. TRADEBE’s renewed Part B Permit added diversity to the company’s previous operation by expanding the acceptance of new waste codes and allowing for computerization of TRADEBE’s approval process. The computerized programs interface well with the Agencies fast moving Electronic Digital Information Program (EDI Program) for manifest shipments of waste. The current RCRA Part B permit was issued on August 31, 2006 and is a five (5) year permit. TRADEBE has submitted the Permit Renewal, and is operating with permission from the state while the review is in progress.
2. Millington, Tennessee

The Millington RCRA Part B Permit application was submitted in October of 2010 and is effective for 10 years. The permit allows for storage of up to 9,748 fifty-five drum equivalents of hazardous waste. The facility is fully permitted by TDEC and the EPA to accept and recycle hazardous and non-hazardous materials. The facility also has an 80,000-gallon tank farm, container shredding unit and a stabilization tank. The permit also allows TRADEBE to increase capacity of its processing and bulking operations and enhance its transportation. In addition, the site is approved for the receipt of CERCLA generated material. TRADEBET is not permitted to accept PCBs, radioactive, explosive or bio-hazardous waste material.

3. The Meriden, CT Facility

In April 2011, Tradebe Environmental Services, LLC acquired United Industrial Services, with facilities in New England and the state of New York. The Meriden, CT facility sits on 2.5 acres and has been treating and storing used oil, hazardous waste, hazardous and non-hazardous waste water and containerized solid and liquid wastes since 1976. Up until 1976, the property was used as a commercial greenhouse and florist shop, as well as residence for the owners. In 1976, the owners began transporting, storing and burning waste oil. The waste oil was burned in the on-site boiler to heat the greenhouses. The owners formed United Waste Oil Company and began transporting and storing waste oil for the other town businesses. The company grew to the point where wastewater treatment was brought on-site and waste oils classified as hazardous waste codes were being accepted. The facility filed its first RCRA Part A application in 1980. United received its first RCRA Part B permit in September 1995. The greenhouse and florist business was terminated in 1988.

4. The Bridgeport, CT Facility

The Bridgeport facility sits on 3.5 acres and has been treating and storing used oil, hazardous waste fuels, hazardous and non-hazardous wastewater and containerized liquid and solid waste since 1993. This facility operates a non-hazardous mix pit where solids and semi-solids can be solidified with materials such as sawdust and then transferred to a roll-off. Several types of waste streams are stored and treated in Bridgeport. Waste streams that are not treatable on-site are transported to a facility that can manage them.

5. The Stoughton, MA Facility

This Facility is centrally located in Stoughton, MA about 25 miles east of Boston, MA and sits on 2.5 acres. This facility is a RCRA Part B facility and holds an MWRA Wastewater Discharge Permit. The total tank storage capacity is 221,279 gallons, and had both drum and bulk liquid off-loading and storage capabilities.

6. The Northborough, MA Facility

The Northborough facility has a RCRA Part B permit, however, it is currently an idle facility.

7. The Cohoes, NY Facility – Norlite, a subsidiary of Tradebe Treatment and Recycling, LLC

Nature, more than any other factor, determined Norlite’s location by depositing and easily accessible stratum of high quality shale on this locale, approximately 450 million years ago. Known as Snake River Shale, Norlite’s portion of this deposit is approximately 100 acres of pure shale, devoid of sandstone, quartz of lime. When heated, this shale uniformly expands to produce a high quality lightweight aggregate. Expanded shale from this deposit is in high demand by the construction industry based upon its strength, low bulk density and uniformity.

E. Site Audit Evaluation

Each TRADEBE facility has been audited by the company and by numerous outside parties. These Phase I and II studies have been conducted by independent engineering firms and show no signs of
on-site contamination at either site. The CHWMEG is an Association of manufacturers focused on waste recycling, waste management, and compliance. An independent auditor retained by the Association has audited the East Chicago, Memphis, Meriden, Bridgeport, Stoughton, and Nortlite sites. CHWMEG is a nonprofit organization representing waste management facilities, waste generators and industry trade associations dedicated to improving waste management practices through high-quality facility auditing, variety of education and training, research and development and public outreach activities. For a fee, CHWMEG will provide the audit to CHWMEG members’ generators upon request. Audits are conducted with protocol originally developed by the Commercial Hazardous Waste Management Evaluation Group with input from environmental professionals from numerous Fortune 100 companies. Generators requesting the audit will also receive a copy of the protocols upon enrollment.

F. RCRA Closure Plans

The RCRA Closure plans for both locations are summarized below:

1. Indiana Facility

As a part of TRADEBE's Part B permit, TRADEBE has an RCRA-approved detailed closure plan that has been approved by the Indiana Department of Environmental Management (IDEM). This plan details the processes and procedures to be implemented in the event the facility is closed and returned to its original state. The closure plan includes closure cost estimates based on closure by a third party. The cost of decontamination and disposal of all waste is estimated to be $1,776,450. TRADEBE's closure requirement is funded with a surety bond for the full amount of the obligation. The closure plan is evaluated annually.

2. Tennessee Facility

TRADEBE's Memphis Part B Permit also has an RCRA-approved detailed closure plan that has been approved by The Tennessee Department of Environment and Conservation (TDEC). This plan details the process and procedures to be implemented in the event that the facility is closed and returned to its original state. The closure plan includes closure cost estimates based on closure by a third party. The cost of the closure and disposal of all waste is estimated to be $1,151,580.00. TRADEBE's closure requirement is funded with a surety bond for the full amount of the obligation.

3. Meriden CT Facility

TRADEBE's Meriden Part B Permit also has an RCRA-approved detailed closure plan that has been approved by The Connecticut Department of Energy & Environmental Protection (CT DEEP). This plan details the process and procedures to be implemented in the event that the facility is closed and returned to its original state. The closure plan includes closure cost estimates based on closure by a third party. The cost of the closure and disposal of all waste is estimated to be $321,863. TRADEBE's closure requirement is funded with a trust agreement for the full amount of the obligation.

4. Bridgeport CT Facility

TRADEBE's Bridgeport Part B Permit also has an RCRA-approved detailed closure plan that has been approved by The Connecticut Department of Energy & Environmental Protection (CT DEEP). This plan details the process and procedures to be implemented in the event that the facility is closed and returned to its original state. The closure plan includes closure cost estimates based on closure by a third party. The cost of the closure and disposal of all waste is estimated to be $468,862. TRADEBE's closure requirement is funded with a trust agreement for the full amount of the obligation.

5. Stoughton MA Facility
TRADEBE's Stoughton Part B License also has an RCRA-approved detailed closure plan that has been approved by The Massachusetts Department of Environmental Protection (MA DEP). This plan details the process and procedures to be implemented in the event that the facility is closed and returned to its original state. The closure plan includes closure cost estimates based on closure by a third party. The cost of the closure and disposal of all waste is estimated to be $149,366. TRADEBE's closure requirement is funded with a trust agreement for the full amount of the obligation.

6. Northborough MA Facility

TRADEBE's Northborough Part B License also has an RCRA-approved detailed closure plan that has been approved by The Massachusetts Department of Environmental Protection (MA DEP). This plan details the process and procedures to be implemented in the event that the facility is closed and returned to its original state. The closure plan includes closure cost estimates based on closure by a third party. The cost of the closure and disposal of all waste is estimated to be $137,033. TRADEBE's closure requirement is funded with a trust agreement for the full amount of the obligation.

7. Newington NH Facility

TRADEBE's Newington 10 Day Transfer and Solid Waste Facility also have an approved detailed closure plans that has been approved by The New Hampshire Department of Environmental Services (NH DES). This plans detail the processes and procedures to be implemented in the event that the facility is closed and returned to its original state. The closure plans include closure cost estimates based on closure by a third party. The cost of the closure and disposal of all waste is estimated to be $538,560 for the Hazardous Waste Permit and $172,935 for the Solid Waste Permit. TRADEBE's closure requirements are funded with trust agreements for the full amount of the obligations.